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MEETING THE SOIL COMPACTION CHALLENGE

IMPLEMENT & TRACTOR

The Business Magazine of the Agricultural, Industrial & Outdoor Power Equipment Industry

VOLUME 106, No. 5 MAY 1991

Major Industry Shifting Underway To Let Fiat Buy Ford New Holland

By SCOTT NESBITT

MAJOR shakeups are taking place in the farm machinery business to let Fiat of Italy 33 percent interest in Ford New Holland from Ford Motor Co.

A complex game of corporate musical chairs was taking place in late April to set up the purchase. If everything falls into place and meets approval of federal authorities, here are the major changes:

*Fiat Geotech S.p.A., a division of Italian industrial giant Fiat Group, would sell off its Hesston hay machinery division. This relieves U.S. Justice Department worries that Fiat would control too much of the nation's hay business if it owns both Hesston and Ford New Holland.

*Fiat would continue importing its Italian-built tractors for U.S. dealers who want them.

*Allis-Gleaner Corp. would take over Fiat's position as distributor of the Hesston line of balers, mowers, rakes and related field equipment. This key element in the game was contained in a "memorandum of understanding" announced on April 16. Final details were still under negotiation as *I&T*'s publication deadline approached.

*Allis-Gleaner would also take over from Fiat as half-owner of Hay & Forage Industries, the joint venture factory in Hesston, Kan., that builds hay machinery for both Hesston and the other half-owner, the J I Case division of Tenneco, Inc., which sells the Hesston-built haying machines through Case-International dealers.

*Deutz-Allis, the chief subsidiary of Allis-Gleaner, has already dropped its own hay machinery line, which was built by Deutz-Fahr, of Germany.

*Memo Industrial Planning, Inc., has become U.S. distributor of the German-built Deutz-Fahr hay machinery line. Memo continues importing Memo tractors, which are built in Yugoslavia under an agreement with Klockner-Humboldt-Deutz, the parent company of Deutz-Fahr and former owner of Deutz-Allis.

*Klockner-Humboldt-Deutz will continue building, in Germany, a

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MIKE HOLLEMAN STRESSES customer service and top quality equipment at Right of Way Equipment Company in Cary, N.C. Story on page 18.

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FIAT

(From pg. 1)

newer generation of tractors than the ones Memo sells. These German tractors will still be sold in the U.S. through the Deutz-Allis dealer network, which also sells some larger tractors assembled in Coldwater, Ohio., by Allied Products at its White-New Idea operation.

Confused?

Here's the reaction in the waning days of April from Case-International spokesman Richard James, whose company is supposed to get a new joint-venture partner for the Hesston hay tool factory:

"We have no confirmation that the Ford-Fiat thing or the Deutz-Fiat thing is complete. We're still waiting for official word, and until we see how its structured, we can't say a thing yet. To our knowledge, its still just a memo of understanding (between Fiat and Allis-Gleaner.)"

While the shuffling of ownerships has benefits for several of the manufacturers involved, it's certain to cause some confusion at the dealer-customer level, where the concern is not only who sells what, but who bears responsibility for product warranty and service parts.

Fiat's spokesman for the United States, Gualberto Rainieri, said he understood that once Fiat disposed of its Hesston hay interests, the Justice Department would remove anti-trust objections to Fiat buying 80 percent interest in Ford New Holland's worldwide operations.

Upon buying FNH, he said, Fiat plans to set up a new company with headquarters in London, England, and 3 operating divisions to target North America, Europe and South America and the rest of the planet. He said the new company's name will be announced upon completion of the FNH purchase.

Rainieri said dealers and consumers should not see an immediate difference in the operation, as the FNH and FiatAgri dealership operations will remain independent in their various markets around the world.

"In due course," he said, there will be integration of purchasing and shared development of new products to "take advantage of synergies and scale and so forth."

While FiatAgri would back away from the Hesston hay operation, it would retain control of its Woods Brothers manufacturing operation, based in Oregon, Ill., which makes and distributes tow-behind brush cutters, mid-mounted tractor mowing decks, and commercial-grade finish, walk-behind and riding mowers.

"The only way we're affected," said Woods Brothers advertising manager Jack Steinhour, "is that we'd no longer be a division of Hesston."

He noted that Hesston bought Woods in 1969, and Fiat bought 51 percent of Hesston in 1977, then took 100 percent control in 1986.

Rainieri said Fiat's new "Winner" series tractors, heavily redesigned in the last year, would not immediately become part of the Ford New Holland product lineup in North America.

"Fiat will remain in control of the tractor product line," he said. He could not, however, provide details of how that would work, given that existing Hesston dealers would be tied in with Allis-Gleaner Corp., with its rival Deutz-Allis tractor line.

The Fiat tractor line, while popular in Europe and elsewhere in the world, has historically been weak in the North American market. According to figures provided to I&T last year by a Ford Motor Co. spokesman, Fiat sold only 1,487 tractors in North America in 1989, a tiny fraction of the 55,287 tractors Fiat sold worldwide that year, or the 120,000-plus tractors sold on this continent that year.

For Deutz-Allis dealers, the Allis-Gleaner Corp. acquisition of Hesston hay equipment may, or may not, fill a gap in the product line that began to develop with the decision last November to stop handling the Deutz-Fahr hay tool line.

James M. Seaver, Deutz-Allis vice-president of marketing, said the Deutz-Fahr line, sold under the "Greenland" label, was dropped before the opportunity came along to pick up the Hesston product line.

"Frankly," he said, "the decision was based on the weak dollar and the high price of the product coming from Germany. We felt we could not keep carrying that product line."

There are no plans, he said, for a green (or orange)-painted Hesston-built product to be put on the market as a Deutz-Allis hay tool line.

"As to the dealership networks," Seaver said, "We will keep Hesston and Deutz-Allis as separate agreements. We will only offer Hesston to a Deutz-Allis dealer if there is no area of conflict with an existing Hesston dealer, and vice versa. It will be business as usual.

"The Hesston product will carry the Hesston name and color, although we might take off the FiatAgri decals from some product that's already out there."

While Allis-Gleaner and Deutz-Allis may have terminated the relationship with Deutz-Fahr, Seaver said that the company will uphold its responsibility to supply service parts for machines already sold and for the "substantial" inventory of haying equipment currently in dealer and company hands.

He gave no specifics, but indicated that inventory would be cleared out at bargain prices.

That unsold hay product from Deutz-Fahr will apparently compete for sales with new Deutz-Fahr hay machinery brought in by Memo Industrial Planning, Inc., in Southlake, Texas, a Dallas suburb.

Mike Simpkins, Memo's sales manager, said his firm became the Deutz-Fahr distributor for the United States as of April 1.

"Setting up a dealer network, or supplying product to dealers who handled the product in the past as Deutz-Allis dealers, is all up to us to arrange," Simpkins said. "Our only arrangement is with Deutz-Fahr for product, not for any dealer contracts."

Simpkins said he has been satisfied with sales over the last 5 years of the Yugoslavian-built, Deutz-designed Memo tractors, but said the supply of product has in recent months been disrupted by political turmoil in the Eastern bloc.

No prices have been released for any of the transactions.

A press release from Deutz-Allis noted that Robert J. Ratliff, president and chief executive officer, has disclosed that the Hesston purchase was a cash transaction, but did not disclose the amount.

The press release noted that Hesston Corp., excluding Woods and Fiat products, reported annual sales in excess of $100 million on its major farm products, including round and square balers, mower conditioners, self-propelled windrowers, forage harvesters and related equipment.

A Ford Motor Co. press spokesman said the car maker would have no comment on Fiat's proposed sale of Hesston, and could not project when the Fiat-Ford deal might be consummated. But he said his sense is that "once the Hesston situation is

(See FIAT, pg. 23)

INDUSTRY UPDATE

J I Case Loses $147 Million In First Quarter

TENNECO, Inc., has reported a loss of $147 million in the first quarter of 1991 for its J I Case farm and construction machinery division.

"In response to the lower industry demand, Case has significantly reduced production to balance inventories and has taken action to scale down its operations," said a Tenneco report issued April 30. No specifics were given as to plans of personnel cuts, but the company did say that "workforce reductions in Europe resulted in a 1-time charge of $32 million."

Tenneco said that in the first quarter of 1990, the Case division had operating income of $49 million, some $196 million above the 1991 first-quarter results. A spokesman from the corporate headquarters in Houston noted that the 1990 figures included some gain from $15 million of Case's half-interest in Intertractor, a German producer of equipment for tracked vehicles.

A Case spokesman said first-quarter 1991 sales were $949 million, compared to $1.2 billion in the first quarter of 1990. He said a 20 percent cut, on average, was planned in 1991 production for the agricultural and construction machinery lines. A recent report on the Case division reported full-year 1990 sales of $5.4 billion, with operating income of $186 million, and full-year 1989 net sales of $5 billion and operating income of $228 million.

Tenneco chairman and CEO James L. Ketelsen said recession in the first quarter had hit the conglomerate's divisions in chemicals and containerboard products, along with the farm and construction equipment. On the positive side, he said "the performance of our automotive parts and minerals business, while essentially unchanged from 1990, was good, considering economic conditions. The pipeline and shipbuilding businesses, which reported improved earnings for the quarter, continue to be recession resistant."

First-quarter results for Tenneco overall were a loss of $3 million on net sales and revenues of $3.331 billion in 1991, compared to net income of $130 million on net sales and revenues of $3.602 billion in 1990.

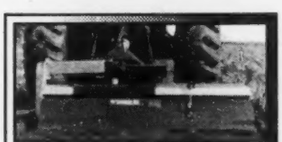
Commenting on Case, the nation's No. 2 farm machinery builder, the Tenneco report said:

"The decline in both residential and commercial construction and reduced customer demand for new farm equipment have resulted in lower overall industry demand in the farm and construction equipment business."

"In response to the lower industry demand, Case has significantly reduced production to balance inventories and has taken action to scale down its operations. These actions contributed to the unfavorable first quarter 1991 results, but should benefit future periods."

"The recent gain in strength of the U.S. dollar against major European currencies, beginning late in the first quarter, should also have a positive effect on Case's future earnings."

Ketelsen was quoted as saying "the first quarter results at Case are very disappointing, but they are in line with expectations based on the significant industry downturns in the construction and farm equipment markets." □



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Flash Report

Spring Sales Start Slowly

SALES OF tractors in the 100-hp-plus range perked up slightly in March, like a shy crocus pushing its head above winter's last snow. Other than that 10.1 percent uptick, the latest flash report of U.S. unit retail sales from the Equipment Manufacturers Institute showed the overall market trailing last year's results for the month and for the first quarter. Inventories for February were slightly above January levels, as is traditional in preparation for the major spring sales season. □

U.S. - UNIT RETAIL SALES

Equipment	March 1991	March 1990	% Change	January-March 1991	January-March 1990	% Change	February 1991 Inventory N.A. Factory & U.S. Field
Farm Wheel Tractors:							
2-Wheel Drive							
Under 40 HP	2,911	3,816	(23.7)	6,112	8,268	(26.1)	42,077
40 & Under 100 HP	3,269	3,476	(6.0)	7,132	8,201	(13.0)	26,279
100 HP & Over	2,975	2,702	10.1	5,631	6,024	(6.5)	14,286
Total 2-Wheel Drive	9,155	9,994	(8.4)	18,875	22,493	(16.1)	82,642
Total 4-Wheel Drive	460	484	(5.0)	824	1,131	(27.1)	2,750
Total Farm Wheel Tractors	9,615	10,478	(8.2)	19,699	23,624	(16.6)	85,392
Combines: (Self-Propelled)	584	618	(5.5)	1,654	1,602	3.2	5,924

These data are, in part, estimates which are subject to revisions when final detail data become available. Because of the seasonal nature of the industry comparisons of monthly data from one period to another should be done with extreme caution. These data represent most, but not all, of the manufacturers in each product category being sold at retail in the fifty states and the District of Columbia.

Canadian Sales Report: Grim

CANADIAN farm machinery sales in March, and for the year's first quarter, were in serious decline, according to figures from the Canadian Farm & Industrial Equipment Institute. The only bright spots seen in March were a small upturn in 4WD tractor sales, compared to March, 1990, and upticks in forage harvesters and mower conditioners for the first 3 months. □

Canada Report
Retail Sales In Units

EQUIPMENT	March 1991	March 1990	% Chg.	March/Ytd 1991	March/Ytd 1990	% Chg.
FARM WHEEL TRACTORS						
2WD under 40 H.P.	83	237	-65.0%	315	620	-49.2%
2WD 40-99 H.P.	455	492	-7.5%	1,067	1,340	-20.4%
2WD 100 H.P. & Over	214	263	-18.6%	444	568	-21.8%
Total 2WD	752	992	-24.2%	1,826	2,528	-27.8%
Total 4WD	111	109	1.8%	219	396	-44.7%
TOTAL FARM WHEEL TRACTORS:	863	1,101	-21.6%	2,045	2,924	-30.1%
COMBINES						
Self Propelled	38	55	-30.9%	111	153	-27.5%
Pull Type	1	4	-75.0%	5	15	-66.7%
BALERS						
Rectangular Balers	31	33	-6.1%	78	111	-29.7%
Round Balers	102	117	-12.8%	235	284	-17.3%
SWATHERS						
Self Propelled	8	23	-65.2%	20	57	-64.9%
Pull Type	5	18	-72.2%	26	49	-46.9%
FORAGE HARVESTERS						
Shear Bar Type	16	20	-20.0%	55	51	7.8%
MOWER CONDITIONERS	91	92	-1.1%	237	231	2.6%